

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04
SIL-01 OMB-01 XMB-02 OPIC-03 DODE-00 DOTE-00
FMC-01 CG-00 DLOS-09 OES-07 /077 W
-----003258 201545Z /45

R 201518Z JUN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7385
INFO ALL EC CAPITALS

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USEEC

PARIS ALSO FOR USOECD

DEPARTMENT PASS EXIMBANK (DENOON)
PASS TREASURY (RYSS)
PASS COMMERCE (LEE)
PASS THE FEDERAL RESERVE (KARCZ)

E.O.11652:GDS
TAGS: EFIN, EGEN, EEC, OECD
SUBJECT: US MEETING WITH EC COMMISSION RE LNG TANKER
EXPORT CREDIT TERMS

1. US DELEGATION (HUFBAUER - TREASURY; FURTADO - EXIMBANK;
LEE - COMMERCE) MET WITH EXPORT CREDIT REPRESENTATIVES OF
EC AND BELGIUM, DENMARK, FRANCE, GERMANY, ITALY AND THE
NETHERLANDS AT EC ON 19 JUNE TO DISCUSS EXPORT CREDIT
TERMS FOR LNG TANKERS. MEETING FULFILLED OBLIGATION TO
EXCHANGE VIEWS RE SUBJECT, WHICH WAS CONDITION OF EC
ACCEPTANCE OF EXPORT CREDIT ARRANGEMENT FINALIZED IN
PARIS ON 24 FEBRUARY 1978.

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2. HUFBAUER REITERATED NEED TO STRENGTHEN AND IMPROVE
EXPORT CREDIT ARRANGEMENT, AS URGED BY BLUMENTHAL AT
15 JUNE OECD MINISTERIAL MEETING. HE ALSO EXPRESSED US
CONCERN OVER VARIETY AND EXTENT OF AIDS FOR SHIP EXPORTS
OFFERED BY SOME OTHER COUNTRIES, INCLUDING NON-EXPORT
CREDIT SUBSIDIES.

3. FURTADO STATED THAT 15-YEAR REPAYMENT TERM RECENTLY OFFERED BY US FOR POSSIBLE PURCHASE OF 4 LNG VESSELS BY ALGERIA WAS BASED ON ANALYSIS OF TIME REQUIRED TO SERVICE DEBT AND ALLOW DESIRED RETURN ON ALGERIAN INVESTMENT. ALTHOUGH US 25 MAY 1978 NOTIFICATION TO ALL ARRANGEMENT PARTICIPANTS HAD NOTED GERMAN 15-YEAR TIED AID OFFER FOR ONE LNG VESSEL, US DECISION WAS NOT BASED ON MATCHING OF GERMAN TRANSACTION.

4. EC OBJECTED TO US DECISION ON 15-YEAR TERM BEING MADE BEFORE 19 JUNE BRUSSELS MEETING. ALTHOUGH US FULLY COMPLIED WITH ONLY RELEVANT ARRANGEMENT OBLIGATION TO GIVE 10 DAYS NOTICE TO PARTICIPANTS BEFORE EXTENDING OFFER, EC FELT THAT ISSUE WAS OF SUCH IMPORTANCE THAT DEFERRAL WAS WARRANTED UNTIL DISCUSSION AT SCHEDULED MEETING. FRENCH ALSO OFFENDED BECAUSE OF APPARENT FAILURE TO RECEIVE COPY OF US NOTIFICATION DESPITE CLEAR INSTRUCTIONS TO COPY FRENCH SHOWN ON ORIGINAL TELEX.

5. GERMAN DELEGATE CONCERNED THAT ITS 23 MAY RESPONSE TO 19 MAY US INQUIRY RE WHETHER GERMAN EXPORT CREDIT INSURER WAS APPROACHED HAD BEEN VIEWED BY US AS EVASIVE. HE STATED THAT INTERNAL PROCEDURES MADE IT DIFFICULT TO RESPOND IMMEDIATELY TO SUCH AN INQUIRY WITHOUT RESEARCH REFERENCED IN GERMAN RESPONSE. HE INDICATED CONCERN THAT FAILURE TO ALLOW TELEX RECIPIENT REASONABLE TIME TO RESPOND

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TO EXCHANGE OF INFORMATION REQUEST COULD UNDERMINE EXCHANGE SYSTEM AND NECESSARY MUTUAL TRUST.

6. VARIOUS EC REPRESENTATIVES EXPRESSED CONCERN ABOUT RAMIFICATIONS OF EXPANDING LNG VESSEL DISCUSSIONS TO INCLUDE MARITIME AIDS OTHER THAN EXPORT CREDITS. THEY QUESTIONED ABILITY TO COMPARE RELATIVE BENEFITS TO EXPORTERS OF INFLATION INSURANCE, CONSTRUCTION SUBSIDY, UNEMPLOYMENT BENEFITS, ETC. THEY NOTED THAT US CONSTRUCTION AND OPERATING SUBSIDIES FOR US FLAGSHIPS COULD ALSO AFFECT COST OF US SHIP EXPORT.

7. EC REPRESENTATIVES EXPRESSED VIEW THAT US WILLINGNESS TO OFFER 15-YEAR REPAYMENT TERM ON LNG TANKERS WOULD RESULT IN BUYER AND EXPORTER PRESSURE ON ALL PARTICIPANTS TO SOFTEN EXPORT CREDIT TERMS IN OTHER SECTORS NOW COVERED BY ARRANGEMENT, AS WELL AS MATCHING ON LNG VESSELS.

8. IN INFORMAL RESPONSE TO US QUESTION, EC REPRESENTATIVES SAID ONLY CASE OF LNG TANKER FINANCING WITH AID FUNDS WAS OLDER BUT STILL ACTIVE GERMAN TRANSACTION REFERENCED IN EARLIER EXCHANGE OF INFORMATION. EC

REPRESENTATIVES AGREED TO RESPOND PROMPTLY TO US INQUIRY THROUGH EXCHANGE OF INFORMATION SYSTEM. THEY SUGGESTED SIMILAR INQUIRIES TO ALL ARRANGEMENT PARTICIPANTS AND DISTRIBUTION BY US OF SUCH INFORMATION TO ALL RESPONDING PARTICIPANTS.

9. GERMAN DELEGATE STATED THAT US OFFER OF 15-YEAR TERMS MIGHT RESULT IN FUTURE MIXING OF GERMAN EXPORT AND AID CREDITS TO EXTENT REQUIRED TO OFFSET GRANT ELEMENT OF US OFFER.

10. FRENCH STATED NEED FOR RAPID PROGRESS ON REACHING

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MUTUALLY ACCEPTABLE TERMS FOR LNG VESSELS AND INDICATED THAT FAILURE TO DO SO WOULD AFFECT FRENCH INTEREST IN ARRANGEMENT AS A WHOLE.

11. US DELEGATION CONFIRMED AUGUST 3 AND 4, 1978 DATE FOR DISCUSSIONS OF AIRCRAFT IN WASHINGTON WITH REPRESENTATIVES OF EC, FRANCE, GERMANY, THE NETHERLANDS AND THE UNITED KINGDOM. IT WAS AGREED TO SET ASIDE AUGUST 7 AND 8 FOR FURTHER DISCUSSIONS WITH GEHRING (GERMAN REPRESENTATIVE AND NEW EC EXPORT CREDIT CHAIRMAN) AND PERHAPS A FEW OTHERS RE LNG TANKER STATUS AND OTHER SUBJECTS FOR OCTOBER REVIEW.

12. OCTOBER REVIEW NOW TENTATIVELY SCHEDULED FOR OCTOBER 24-26 IN PARIS. EXPORT CREDIT GROUP CHAIRMAN MALEGHEM TO CONFIRM. MORRIS

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